administration is National Security Adviser, Anthony Lake. While very-deserved credit should go to Secretary of State Christopher and Assistant Secretary Richard Holbrooke, it was Lake's initiative and policy direction in August that got the ball rolling. Specifically, Tony Lake organized and chaired a series of high-level meetings at which United States-Bosnia policy was formulated and refined.

In August, at the President's behest, he traveled to Europe to present the new U.S. diplomatic initiative to our allies and the Russians. He was successful in bringing the allies and contact group members on board with this initiative.

He was in daily contact with the U.S. negotiating team, led by Ambassador Holbrooke, whose subsequent shuttle diplomacy effort produced a ceasefire, agreement on basic principals of a settlement, and the beginning of proximity talks in Dayton.

He chaired regular high-level meetings to ensure high-level guidance to the process and keep it on track and moving forward.

In mid-November, Mr. Lake traveled to Dayton to interact directly with the parties. He met several times with Bosnian, Croatian, and Serbian leaders and was able to provide key impetus to the negotiations at a crucial time in the proceedings.

In short, his role was to develop a policy that could be sustained throughout the negotiating process. His concept for a diplomatic settlement bore fruit in Dayton.

Mr. Speaker, when the successful history of the Bosnian diplomatic triumph of the United States is chronicled, the most important and deserved credit should go to Tony Lake, who despite working quietly in the background, has had a singularly unparalleled contribution to the Bosnian diplomatic success of America.

U.S. GOVERNMENT VERSUS SENIOR CITIZENS

HON. BILL ARCHER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Friday, January 5, 1996

Mr. ARCHER. Mr. Speaker, I commend to the Members attention the following:

[From the Houston Chronicle, Friday, Jan. 5, 1996]

PREVIEW.—GOVERNMENT SHUTDOWN WOES A TASTE OF THINGS TO COME

The federal government shutdown is forcing a scramble among state officials for money to keep meals going to seniors and unemployment checks to the out-of-work. For the time being, this government paralysis is of Washington's own making.

However, the current state of affairs could turn out to be a whiff of some rotten times ahead if federal overspending and raging deficits are not brought under control through a balanced budget.

Popular wisdom calls for U.S. budget practices to conform to those of families and businesses, which must live within their means. The analogy is simple, perhaps even an oversimplification. Yet it is fitting.

Even those who argue the contrary—that families and businesses take on debt to finance children's educations or for capital improvements—neglect to notice that unpaid debt can lead to bankruptcy and the dire consequences that follow from financial mismanagement and spiraling interest costs.

For the United States, we are getting a taste now of what hardships a national bankruptcy would provoke. Because of the ongoing government shutdown, some state officials are tapping retirement accounts to fund unemployment benefits. Others are scrambling to find ways to pay for meal programs for the elderly and for food stamps and the early education program Head Start.

President Clinton himself pointed out these and a host of other areas in which the shutdown could exact its toll. And yet, he encourages the myth that steps the Republican-controlled Congress proposes to reduce spending amount to cuts that are too severe.

As we have said many times, the ''cuts'' are only to the rate of growth. And, continuing on the present course of free spending and deficits spiraling could lead to a federal breakdown that cannot be fixed by another appropriations bill.

TAX FAIRNESS, ECONOMIC GROWTH AND FISCAL RESPONSIBILITY ACT

HON. DAVID DREIER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, January 5, 1996

Mr. DREIER. Mr. Speaker, President Clinton can be rightly criticized for failing to keep his promise to negotiate a 7-year balanced budget using honest numbers. However, I applaud his willingness to support a capital gains tax cut because it will be critical to the success of any future agreement.

The President's support for capital gains tax reduction is an acknowledgment of what every economist who studies the issue already knows: capital gains tax reduction is a win-win-win proposition. It will spur hundreds of billions of dollars of additional capital formation, create jobs, and promote economic expansion. It will bring immediate relief to small investors, small businesses, workers, retirees, and economically distressed communities. In addition, it will increase tax revenues to government treasuries. And the lower the rate, the greater the benefits.

In deciding how to reduce the capital gains tax rate at the Federal level, I share the view of Federal Reserve Board Chairman Alan Greenspan, who said: ''It is easier to make the case to eliminate it entirely than it is to merely reduce the rate.''

That is why Representative TAUZIN and I, on behalf of the Zero Capital Gains Tax Caucus, are today introducing H.R. 2861, the Tax Fairness, Economic Growth and Fiscal Responsibility Act. Effective January 1, 1996, it establishes a zero tax rate on any long-term capital gain recognized on the sale or exchange of any property.

There are three major reasons why zero is the appropriate capital gains tax rate. First, it will eliminate the bias in the capital gains tax against lower- and middle-income taxpayers. The American dream is to work hard, buy a home, maybe build a small business, save for retirement, and eventually pass along something to children or grandchildren. In short, Americans strive to build a better future. Despite the political charge that the capital gains tax is a tax on the rich, it is actually a tax on those who seek the American dream.

In looking at data on tax returns from 1991, William Beach, a tax analyst at the Heritage Foundation found that half of all capital gains were earned by households with incomes from other sources under $100,000. Of those, 27 percent of taxpayer households with capital gains contained taxpayers over the age of 65 or blind. These taxpayers, according to Beach, had an average income of $43,637. In explaining why lower and middle-income taxpayers will benefit most from capital gain tax reduction, Beach stated:

> When critics claim that capital gains go mainly to the wealthy, they mislead the public by including the gain when citing a person's income. In this way, a retiree living on a $12,000 Social Security check who realizes a $30,000 capital gain one year on the sale of his house is classified as a ''person with a $42,000 income who receives a capital gain.'' By this logic, of course, the only people who win $1 million lotteries are millionaires.

The bottom line is that small business owners, middle-income families, and small investors are the least able to keep capital tied up and, therefore, pay the bulk of the capital gains tax revenue.

The second major benefit of a zero capital gains tax is increased economic growth leading to new job creation and increased living standards. Had such a tax rate been implemented in 1994, it would by the year 2000 result in an additional GDP growth of $1.5 trillion, 1.1 million new private sector jobs, and an $1,884 increase in average annual wages for all workers. As Alan Reynolds of the Hudson Institute noted in testimony before the Senate Finance Committee last February:

> Once we abandon the quaint habit of defining capital gains as no different from a weekly paycheck, economics offers no other clear justification for taxing capital gains at all. No economist has ever dared to suggest that a capital gains tax does no damage to the economy.

Completely eliminating the tax on capital gains might sound far-fetched, but its not a new an idea. Back in 1978, when stagflation forced creative thinking, Digital Resources Inc. [DRI] did a static Keynesian econometric analysis of a zero capital gains tax. DRI predicted that eliminating capital gains taxes would boost GNP by $200 billion, increase capital formation by $81 billion, and create 3 million new jobs. Just as important from a 1990's perspective, DRI predicted that a zero capital gains tax would increase net Government tax revenue by $38 billion over 5 years.

Fortunately, we do not have to rely on economic forecasting models alone to observe the economic benefits of capital gains tax reduction. Our Federal system has permitted States to become ''laboratories of democracy'' in which creative and sometimes controversial public policy proposals can be implemented on a smaller and more manageable scale. Over the past few years, a number of these laboratories have tested the effects of capital gains tax rate reductions on statewide economic growth and revenue. The results of these experiments have been greater economic activity, stronger employment, and the generation of increased State tax revenues.

Three States in particular that have recently experimented with capital gains tax rate reduction—Mississippi, South Carolina, and Wisconsin—have, in each case, seen an increase in economic growth, job creation, and State tax